

**STATE OF INDIANA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS**

**ORDER OF INTEGRATION**

Re: Application of Riverside Petroleum Indiana, LLC ) Case No.: DOG-04-2014  
For the integration of oil and gas interests in lands owned by )  
Joseph G. Knepp and Fannie Marie Knepp in Section 36, )  
Township 4 North, Range 6 West, and Section 1, Township 3 )  
North, Range 6 West, in Daviess County, Indiana )

As provided in Indiana Code 14-37-3-16, an informal hearing was held in this matter on Thursday, August 14, 2014, beginning at 11:00 AM (Eastern) before the Indiana Department of Natural Resources (IDNR), Division of Oil and Gas (Division), at the Gastof Amish Village Restaurant in Montgomery, Indiana. The purpose of the informal hearing was to consider the Petition for Integration of Interests (Application) for the above drilling unit filed by Riverside Petroleum Indiana, LLC, hereinafter referred to as "Applicant".

Having reviewed the entire record in this matter, and being duly advised, the Director of the Division (Director) makes the following Findings of Fact, Conclusions of Law and Order of Integration:

**FINDINGS OF FACT**

1. Applicant is a limited liability company whose principal place of business is 426 W. 14<sup>th</sup> Street, Traverse City, MI 49684.
2. Applicant owns and operates approximately forty five (45) wells for oil and gas purposes in Indian, many of which are for the purpose of producing natural gas from the New Albany Shale.
3. Applicant intends to seek a permit for a horizontal shale gas well to establish the KNEPP 1-36HS UNIT containing 360 acres (more or less) in the west half of Section 36, Township 4 North, Range 6 West, and the northeast quarter of the northwest quarter of Section 1, Township 3 North, Range 6 West, in Daviess County, Indiana, as depicted in Exhibit A of the Application..
4. Joseph G. Knepp and Fannie Marie Knepp, 7338 E 500 N, Washington, Indiana 47558, are the owners of record of property outlined in red on Exhibit B containing 20.0 acres, more or less and further evidenced by copy of a Warranty Deed identified as Exhibit C. Said property is located within the proposed KNEPP 1-36HS UNIT.
5. Based upon information provided by the Applicant, oil and gas leases have been executed and acknowledged or ratified on the remaining 340 acres within the proposed unit.-
6. Despite due diligence and good faith efforts, the Applicant was not able to obtain consent for the proposed lease of oil and gas rights from Joseph G. Knepp and Fannie Marie Knepp. Exhibit D is an example of the oil and gas lease terms which were presented to the landowner on various occasions. Exhibits E and E-2 summarize the extent of communications with Joseph G. Knepp.
7. IC 14-37-9-1(b) requires that, where owners of separate tracts within an established drilling unit do not agree to integrate their interests, the IDNR shall require the owners to integrate their interests in order to prevent waste or the drilling of unnecessary wells.
8. The Petition filed in this matter by the Applicant seeks, pursuant to IC 14-37-9, the issuance of an integration order

whereby the interests of all owners of separate tracts within an established drilling unit are integrated and the combined tracts developed as a consolidated production unit.

9. The Applicant attached the following documents to its Petition:

Exhibit A	Map of the Knepp 1-36HS Unit
Exhibit B	Legal Description of the Unleased Tract
Exhibit C	Documents Showing the Current Ownership of the Unleased Tract
Exhibit D	Oil and Gas Lease Form Utilized in the Project Area
Exhibit E	Contact Report Summarizing Lease Attempts

10. IC 14-37-9-2 requires an integration order to be based upon reasonable terms that give the owner of each tract an equitable share of the oil and natural gas in the unit.

11. On July 17, 2014, notice of the date, time, and place of the informal hearing to be held in Montgomery, IN on Thursday, August, 14, 2014, was mailed by first class mail to Joseph G. Knepp and Fannie Marie Knepp informing them of their right to attend the informal hearing, or to submit written comments or objections to the Division by mail, fax, or email no later than 4:00 PM (Eastern) on August 14, 2014.

12. The following persons were present at the informal hearing held in Montgomery, IN on August 14, 2014:

<u>Person</u>	<u>Representing</u>
Benjamin Curell	Riverside Petroleum Indiana, LLC
Dylan Morgan	Riverside Petroleum Indiana, LLC
Chris Sontag	Riverside Petroleum Indiana, LLC
Brandon Chasteen	Riverside Petroleum Indiana, LLC
Jeremy Chasteen	Riverside Petroleum Indiana, LLC
Jim AmRhein	IDNR, Division of Oil and Gas
Mona Nemecek	IDNR, Division of Oil and Gas
Herschel McDivitt	IDNR, Division of Oil and Gas

13. Joseph G. Knepp nor Fannie Marie Knepp did not respond in any way to the aforementioned notice of the informal hearing, nor did they or any representative attend the aforementioned informal hearing on their behalf. Furthermore, there has been no communication subsequent to the informal hearing by telephone, correspondence, or email from Joseph G. Knepp or Fannie Marie Knepp.

14. No additional facts or other information were presented at the informal hearing other than that which is already contained in the Application.

15. Based upon a review of all relevant information, Joseph G. Knepp and Fannie Marie Knepp and Applicant have been unable to mutually agree on terms for the integration of their interests and therefore the Petition should be granted in order to allow the Applicant to proceed with the development of the aforementioned unit in such a manner that affords the owners of all parcels within the KNEPP 1-36HS UNIT an opportunity to receive a just and equitable share of the production of oil, natural gas, or other hydrocarbons produced from said unit.


### **CONCLUSIONS OF LAW AND ORDER OF INTEGRATION**

1. IC 14-37-9 and any rules promulgated thereunder apply and are pertinent to the subject matter of the Application filed herein.
2. There has been full compliance with all notice requirements provided by law, and all interested parties have been

afforded an opportunity to be heard.

3. The IDNR and the Division have jurisdiction to hear this matter and authority, as delegated by the Natural Resources Commission, to order the integration of interests in accordance with IC 14-37-9-1(b)
4. The Petition, herein referenced, contains the elements required by law.
5. All leaseholds and parcels comprising the KNEPP 1-36HS UNIT located in Section 36, Township 4 North, Range 6 West, Daviess County, Indiana, as depicted on Exhibit B are hereby ordered to be integrated as a single drilling unit. It is reasonable, fair, and equitable, as required by IC 14-37-9-2, that such division of interest be accomplished so that unit operations may be conducted as if the unit area had been included in single leases executed by all owners of oil and gas interests within said unit.
6. Joseph G. Knepp and Fannie Marie Knepp shall be entitled to receive a 1/8<sup>th</sup> royalty share of all oil, natural gas, and other hydrocarbons produced calculated at the rate determined by the ratio to which the acres contained on their property bears to the entire unit acreage for all production from within the KNEPP 1-36HS UNIT.
7. As provided in IC 14-37-9-2, the portion of the production allocated to the owner of any tract within the KNEPP 1-36HS UNIT shall be considered as if produced from a well drilled on that tract.
8. Notwithstanding any contrary provisions contained in the attachments to the Petition, nothing in this Order of Integration shall be construed as granting the Applicant any legal right of entry onto, over, or across the surface of any portion of the Joseph G. Knepp and Fannie Marie Knepp property.
9. The primary term of this order shall be for a period of five (5) years from the date of this order, and as long thereafter as operations are conducted upon said KNEPP 1-36HS UNIT with no cessation for more than six (6) consecutive months. "Operations", for purposes of this paragraph shall refer to any of the following and any activities related thereto: preparing location for drilling, drilling, coring, testing, completing, equipping, reworking, recompleting, deepening, plugging back, de-watering, water disposal, or repairing of a well in search of or in an endeavor to obtain production of oil and/or gas, and production of oil and/or gas whether or not in paying quantities.
10. This order is a final administrative action of the IDNR and, as such, is subject to administrative review under IC 4-21.5-3-7 and may be placed of record by the Applicant in the appropriate public record of Daviess County, Indiana.

August 19, 2014  
Dated

  
Herschel L. McDivitt, Director  
Division of Oil and Gas

**DIVISION OF OIL AND GAS  
DEPARTMENT OF NATURAL RESOURCES**

**NOTICE OF ORDER OF INTEGRATION  
NOTICE OF RIGHT TO APPEAL  
CERTIFICATE OF MAILING**

You are hereby notified that on the date indicated below, the Indiana Department of Natural Resources, through the Director of the Division of Oil and Gas, issued an Order of Integration with respect to certain oil and gas drilling interests under Cause No. DOG-04-2014. The Order of Integration is based on an Application for Integration Order previously filed by the Applicant, Riverside Petroleum Indiana, LLC, and on an Informal Hearing held in this matter on August 14, 2014, in Montgomery, Indiana to consider the request for integration. A copy of the Order of Integration is enclosed.


The terms of the enclosed Order of Integration are subject to appeal and review under IC 4-21.5-3-7 in a hearing before an Administrative Law Judge. In order to qualify for administrative review, a person must petition for review in writing stating facts that demonstrate the petitioner is:

- (A) a person to whom the order is specifically directed;
- (B) aggrieved or adversely affected by the order; or
- (C) entitled to review under any law.

In order to be timely, any petition for administrative review must be filed with the Division of Hearings, Natural Resources Commission, Indiana Government Center South, 402 W. Washington St., Rm. W272, Indianapolis, IN 46204 within eighteen (18) days after the mailing date of this notice. If no petition for administrative review is filed within the stated time limit, all terms and conditions contained in the enclosed Order of Integration will become final and binding.

I further certify that a copy of the referenced Order of Integration was mailed on the date indicated below to the Applicant and to the following persons:

- Joseph G. Knepp and Fannie Marie Knepp, 7338 E 500 N, Washington, Indiana 47558

<u>August 19, 2014</u> Dated	 _____ Herschel L. McDivitt, Director Division of Oil and Gas
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